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¶1. Summary. The Mexican state and federal governments reaffirmed their commitment to combating climate change at the Border States Climate Change Workshop held April 22-23 in Monterrey, Mexico. The conference, sponsored by the Border Environment Cooperation Commission (BECC), was the first ever border-area gathering to bring together federal and regional climate change experts from the United States and Mexico. Mexico is currently undertaking greenhouse gas inventories on a state-by-state level, and the Calderon administration's Special Program for Climate Change has over $1.1 billion USD budgeted for 2009 to help reduce climate change. The program, with specific targets to reduce greenhouse gas (GHG) emissions, will be formally announced when Mexico hosts the UNEP World Environment Day on June 5. While climate change is a priority for President Calderon, Mexico will require additional financing and technical assistance in order to achieve significant reductions in GHG emissions. End Summary.

Border States Take Lead in Climate Change

¶2. The Border States Climate Change Workshop organized by the BECC was held April 22-23 in Monterrey, Mexico. The workshop was the first regional conference on climate change between the two countries. Cooperation along the border is vital because the area is highly vulnerable to global warming and also the area most affected by trans-boundary contamination. The conference featured presentations on existing environmental efforts by the border states such as those by the BECC, the U.S.-Mexico Environmental Program (commonly referred to as Border 2012), Methane-to-Markets, U.S. SmartWays, and individual state case studies. Many of Mexico's federal programs were discussed as well. Though planned for months, the event was energized by the April 16 White House press release announcing a U.S.-Mexico Bilateral Framework on Clean Energy and Climate Change. Also well received was the EPA's April 17 proposed finding that GHGs contribute to air pollution and may endanger public health and welfare.

Monitoring Greenhouse Gas Emissions

¶3. Under Border 2012, the U.S. and Mexican border states have begun GHG inventories but there is limited progress on the Mexican side because of a lack of resources and technical expertise. Reliable inventories are necessary to develop comparable emissions monitoring, establish integrity of credits, set cap levels and create cost-containment mechanisms. On the United States side, California, Arizona, and New Mexico have completed full GHG inventories and Texas has completed a partial inventory. On the Mexican side, Baja California, Sonora and Nuevo Leon have advanced their inventories; Chihuahua, Coahuila, Nuevo Leon and Tamaulipas are all pending. According to Juan Marin Gracia, Nuevo Leon's Director of Environmental Protection, Nuevo Leon expects to complete its inventory by August 2009. The state's inventory was only made possible by a $615,000 USD grant by the British Embassy. The process for creating inventories and developing action plans is complex and requires at least a year of analysis and a budget of up to $750,000 USD. SEMARNAT's Institute of Ecology (INE) has provided some training courses to local research centers and universities so that states can develop their GHG inventories . Eventually, all Mexican states will be required to create similar GHG inventories and action plans including measures for climate change mitigation and adaptation. Twenty-two Mexican States have already submitted proposals to fund established by the federal government for up to $150,000 USD in funding. In the past funds from EPA supported the development of Mexico's GHG federal inventory.

Mexico's Federal Programs to Combat Climate Change

¶4. Addressing climate change has been a priority for President Calderon. As explained by Jose Antonio Urteaga, Deputy Director General for Climate Change Projects, the importance of climate change in the administration is reflected in the

creation of an inter-agency Commission on Climate Change (CICC) which includes representatives from seven ministries - the ministries of Agriculture, Transportation and Communication, Economy, Social Development , Energy, and Foreign Relations - all coordinated by the Secretariat of Environment and Natural Resources (SEMARNAT). The CICC's Special Program on Climate Change (PECC) will be formally announced on June 5, when Mexico hosts UNEP World Environment Day. The PECC will include specific targets for GHG reductions by the end of President Calderon's administration in 2012 and a goal of a 50% reduction in GHGs by 2050. (See reftel A)

¶5. Elias Freig from the Secretariat of Finance and Public Credit previewed the PECC and explained how the administration will use the $1.1 billion USD budgeted for 2009 to mitigate the effects of climate change. The money is split into four current projects: 1. The electrical appliance replacement program; 2. Green housing construction; 3. The planting of trees to reduce greenhouse gases (known as ProArbol); and 4. A fund to invest in renewable energy projects. The funds under the PECC do not include money spent by the Mexican government to create energy-efficient government buildings, mass transit, vehicle modernization and, more importantly, upgrades by PEMEX and CFE's efforts to reduce greenhouse gas emissions (energy production accounts for 28% of all emissions). The figures for these projects were unavailable.

¶6. The electrical appliance replacement program has been the most popular of the climate change programs. Accounting for over half of the total budget, the program replaces appliances such as air conditioners, and refrigerators over 10 years old for lower income families. The recipients of the new appliances

enjoy better quality of life while saving over 315 GWH per year, the equivalent to 210,000 tons of carbon dioxide emissions per year. Since the government subsidizes up to 98% of electricity costs, the energy savings also directly impact the bottom line of the government owned electrical company (CFE). Additionally, this program has the added benefit of being a counter recessionary measure since the appliances purchased are made in Mexico. The ProArbol project, on the other hand, has been more controversial. After 18 months, the government has reforested more than 714 hectares of land but has been involved in overpayment schemes and embarrassed by poor management. An October 2008 report by the National Forestry Commission showed that 42% of the trees planted by ProArbol have already died and many more trees are unlikely to survive another year.

Cap and Trade in Mexico

¶7. Mexican companies are already participating in a cap and trade program as outlined by the Kyoto Protocol. However, the market remains small because of a lack of liquidity and uncertainty over how the post-Kyoto framework and reduction targets will function. The news that the Obama administration is working on proposing a cap and trade system in the United States was well received by speakers at the conference since it will help to advance the local market (See reftel B). However, if a comprehensive U.S.-Mexico cap and trade program is not established, BECC officials envisioned creating a voluntary program in the border region modeled after the Western Climate Initiative, an environmental collaborative effort between western U.S. states and four Canadian provinces. A cap and trade system will encourage reductions in GHGs and also create financing opportunities for solar and wind projects in the region.

Comment: On the Right Track but They Need Financing

¶8. Comment. The initiative and enthusiasm shown by the Mexican participants at the conference was encouraging. President Calderon has made the fight to reduce emissions one of the highlights of his presidency. Mexico will double its wind generated energy by the end of the year to over 330MW and another 3,000MW of additional capacity is planned to go online in the next couple of years. Calderon is on track to achieving

his target of 26% of electrical power produced from renewable energy by 2012 however this is only largely because of existing hydroelectric capacity. Generally, the lack of financing was a common theme brought up by many of the Mexican speakers at the conference. Many climate change programs in Mexico are still modest and any future project financing is at risk due to the slowdown in the Mexican economy. Mexico will require significant assistance to finance and acquire technical knowledge in order for it to substantially reduce its GHG emissions. End comment.
WILLIAMSON